



SF 464 – Biodiesel Content Requirement (LSB2135SZ.1)

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Fiscal Note Version – As amended by S-3208

Description

Senate File 464, as amended by **S-3208**, modifies the current biodiesel blended fuel tax credit effective September 1, 2009. The current tax credit is equal to \$0.03 per gallon of 2.0% (B-2) blend or above biodiesel, and the credit is only available for retail outlets where biodiesel represents at least 50.0% of the diesel gallons sold at that retail site in the calendar year. The Bill ends the current credit effective September 1, 2009, and replaces it with a credit equal to \$0.03 per gallon of 10.0% (B-10) blend or above biodiesel. The new credit is called the biodiesel fuel promotion tax credit.

The Bill, as amended by S-3208, also modifies the calculation of the ethanol promotion tax credit to allow only biodiesel blends greater than 5.0% (B-5) blend to be included in the ethanol promotion tax credit calculation.

The Bill, as amended by S-3208, also requires all diesel fuel sold in the State beginning September 1, 2009, to contain a minimum of 5.0% biodiesel. Exceptions to the requirement are specified.

Background

Iowa's biodiesel tax credit was created in House File 2754 (Renewable Fuels Act of 2006). The credit is available to fuel retailers selling a specified percentage of biodiesel gallons and is equal to \$0.03 per qualified gallon sold. The credit is refundable and sunsets at the end of tax year 2011.

Assumptions

- The Department of Revenue estimates biodiesel blended fuel tax credit redemptions will equal the following amounts under current law:
 - FY 2010 – \$4.6 million
 - FY 2011 – \$5.0 million
 - FY 2012 – \$5.5 million
- The biodiesel blended fuel tax credit contains a threshold level of biodiesel sales based on total diesel gallons sold during a calendar year (50.0% or more biodiesel gallons compared to total diesel gallons sold at a location). Removing the credit effective September 1, 2009, will eliminate credit availability in the middle of the year. It is assumed for this analysis that the credit will be allowed for all B-2 and above gallons sold prior to September 1, 2009, but the 50.0% threshold percentage of biodiesel gallons to diesel gallons will still be required and applied to the full calendar year and the 50.0% threshold will be required for each retail site.

- Biodiesel sales gallons sold B-2 or greater from January 1, 2009, through August 31, 2009, will equal 167.5 million gallons. Due to the Bill's requirement that all gallons sold starting September 1, 2009, contain at least 5.0% biodiesel, more retail outlets will reach the 50.0% annual sales threshold needed to qualify for the current biodiesel blended fuel tax credit than would be the case without the new B-5 requirement. This will cause a greater percentage of gallons sold prior to September 1, 2009, to qualify for the existing tax credit.
- Biodiesel gallons sold B-10 or greater from September 1, 2009, through December 31, 2009, will equal 7.1 million gallons.
- Biodiesel gallons sold B-10 or greater from January 1, 2010, through December 31, 2010, will equal 24.0 million gallons.
- Biodiesel gallons sold B-10 or greater from January 1, 2011, through December 31, 2011, will equal 28.0 million gallons.

Fiscal Impact

Removing the current B-2 biodiesel tax credit effective September 1, 2009, and replacing it with a B-10 tax credit will reduce tax credit redemptions and increase net General Fund revenue by the amounts shown in the right-hand column of the following table.

Tax Credit Redemptions and Net General Fund Impact SF 464 With Amendment S-3208					
	Total B-2 and Above Tax Credits Claimed Under Proposed Law	Total B-10 and Above Tax Credits Claimed Under Proposed Law	Total Proposed Law Tax Credits Claimed	Dept. of Revenue Estimate of Tax Credits Claimed Under Current Law	Decrease in Tax Credits Claimed = Positive General Fund Impact
FY 2010	\$4,087,000	\$213,000	\$4,300,000	\$4,600,000	\$300,000
FY 2011	0	720,000	720,000	5,000,000	4,280,000
FY 2012	0	840,000	840,000	5,500,000	4,660,000

Requiring at least 5.0% biodiesel content, combined with limiting the inclusion of biodiesel gallons to only those gallons where the blend is greater than 5.0% is assumed to have no significant impact on the volume of ethanol promotion tax credits redeemed each year.

Since the current biodiesel blended fuel tax credit and the new biodiesel fuel promotion tax credit are both refundable, the changes do not impact the local option income surtax for schools.

Sources

Department of Revenue Biofuel Retailers' Tax Credit Study (January 2009)
 Department of Revenue 2008 Retailer Motor Fuel Gallons Annual Report (April 2009)
 Legislative Services Agency Analysis

/s/ Holly M. Lyons

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the correctional and minority impact statements were prepared pursuant to [Section 2.56, Code of Iowa](#). Data used in developing this fiscal note, including correctional and minority impact information, is available from the Fiscal Services Division of the Legislative Services Agency upon request.